



2H 2011

PHUKET CONDOMINIUM MARKET OVERVIEW

Knight Frank

HIGHLIGHTS

- The new supply has increased sharply in 2011, with about 885 units of 7 new projects, totaling the amount of 5,601 units by end of 2011.
- The variety of buyers this year are found in Phuket, for instance Asian and Russians. Russia is also threatening to overwhelm Europe as Phuket residential buyers.
- During 2006 to 2009, the average unit selling price of condominium in Phuket was in the range of 15 to 16 million a unit, the average unit selling price has dropped in 2010 to 2011, with lower than 8 million a unit.
- Phuket property market in 2012 seems to have a bright prospect and gradual growth by mass of visitors, although there will be the enormous of supply level in Phuket.

PHUKET OVERVIEW

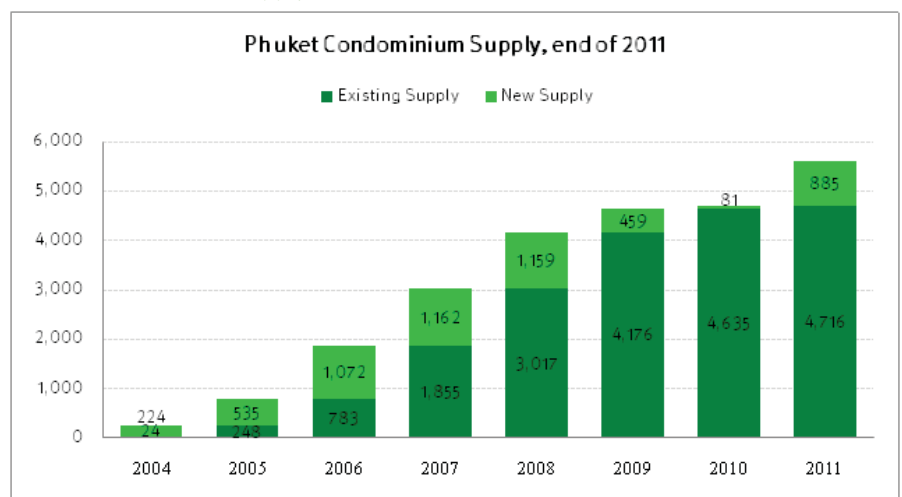
Phuket's strong tourism markets support the fast-growing real estate market. Though, Phuket is relatively small island, it could cost some of millions of baht. For those wishing to make Phuket a holiday home as well as investment purpose, there are many areas to be chosen according to their lifestyles. Much of the high-end development for the international market over the last 20 years has been along Phuket western coastline, particularly between Bangtao and Patong, and near to the island most popular tourist beaches and resorts. However, with land prices along this stretch now very high, developers have begun to look at other areas of the island.

SUPPLY TREND

NEW SUPPLY IN
2011 WAS ABOUT
885 UNITS.

After the financial crisis began in the United States at the year end of 2008, condominium supply in Phuket has been slowed down in the year 2009 and 2010, with the new supply of 459 units in 2009 and 81 units in 2010. The new supply has increased sharply in 2011, with about 885 units of 7 new projects, totaling the amount of 5,601 units by end of 2011.

Figure 1
Phuket Condominium Supply, end of 2011

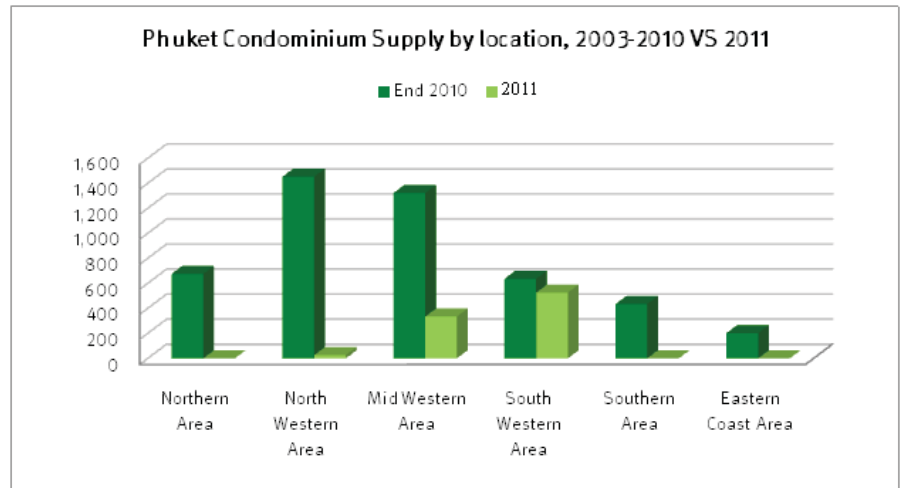


Source: Knight Frank Thailand Research and Consulting

It is interesting to see that previously the majority of condominium supply were concentrated from Layan Beach down to Bang Tao Beach, Surin Beach, Laem Sing Beach and Kamala Beach (North Western Area), accounting for about 31% of the total supply, followed by the Mid Western Area, covering the area along Kalim Beach down to Patong Beach at the end, accounting for 28%. In the year of 2011, the new area for condominium has shifted to Kata and Karon Beach (South Western Area), accounting for 59% of the new supply in 2011, followed by the Mid Western Area, accounting for 38%, while there was only 3% located in the North Western Area.



Figure 2
Phuket Condominium Supply by Location, 2003-2010 VS 2011



Source: Knight Frank Thailand Research and Consulting

DEMAND TREND

DEMAND NOW IS OPENED FOR ALL CLASSES OF PEOPLE.

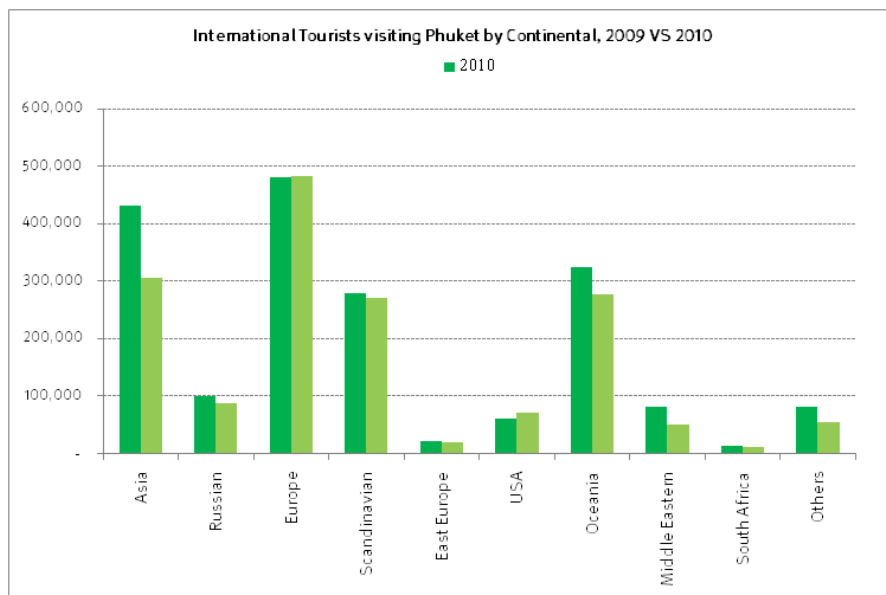
To look forward someone has to look back and when it comes to Phuket Residential Market, Phuket Residential lifestyle was well aligned with the city's high standard infrastructure such as world-class recreational facilities. A large group of buyers were attracted to modern luxury and exotic tropical lifestyle. International buyers make up the majority of villa property clientele. Previously, it was different type of buyers in Phuket, you would only get high class people but now the market is opened for all classes of people. Major buyers were expatriates working in Hong Kong and Singapore as well as the international visitors from Europe.

The variety of buyers this year are found in Phuket, for instance Asian and Russians. Russia is also threatening to overwhelm Europe as Phuket residential buyers. One reason for the dramatic increase in numbers is simple,

the severe weather in the Euro-zone, notably Eastern Europe, has shaken up many people about the need to relocate to safer and better homes. The busiest time is between October to April when the weather in Europe is really cold. Another reason is that it has never been easier for the international tourists to get to Phuket. There are many charter airlines now run direct flights between many big and small cities in various parts of the world to Phuket. Previously, Russians were visiting places like Turkey and Egypt, but due to the political unrest in those areas, and the cost being the same, they have turned to come to Phuket. However, there are two main classes of tourist which are the lower middle class and ultra-wealthy tourist. Phuket is abuzz with talk of these new buyers, in which the diversion of tourists can improve the performance on the wider real estate sector.

Figure 3

International Tourists Visiting Phuket by Continental, 2009 VS 2011



Source: Department of Tourism, Ministry of tourism and Sports

PRICING TREND

THE AVERAGE
UNIT SELLING
PRICE WAS
LOWER THAN
THB 8 MILLION
IN 2011.

During 2006 to 2009, the average unit selling price of condominium in Phuket was in the range of 15 to 16 million a unit, the average unit selling price has dropped in 2010 to 2011, with lower than 8 million a unit. Previously, it was different type of buyers in Phuket, you would only get high class people but now the market is opened for all classes of people. Major buyers were expatriates working in Hong Kong and Singapore as well as the international visitors from Europe. These groups were fond of big unit type with over 2 bedroom-unit, thus the selling price before 2010 was high. The prices of Phuket condominium has changed to surge for new demand of emerging markets which is a combination of Middle Eastern, Asian and Russian. The target group prefers Patong Beach due to its reputation of the night-life as well as the 2-kilometer beach that

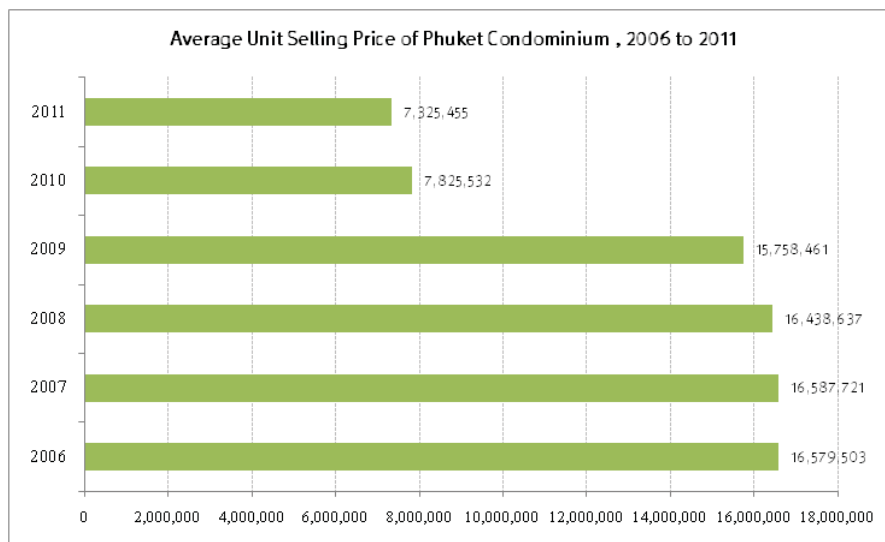
runs the entire length of Patong. Also, some projects do not cater sea-view, thus the unit price is lower. Moreover, the unit specification is in moderate since this group prefers smaller unit size of studio and 1-bedroom unit, or budget condominium. The transformation of guest demographics has affected the average length of stay and directly affected the condominium unit type since this group has shorter period of stay of about 4-5 days. Mostly, they travelled to Phuket as a couple or with their friends, rather than family.

Condominium Phuket remains very solid with no discounting, and completed resale properties still yield substantial profits for sellers.



Figure 4

Average Unit Selling Price of Phuket Condominium, 2006 VS 2011



Source: Knight Frank Thailand Research and Consulting

OUTLOOK

Myriad residential locations are offered in the market. Previously, the majority of residential projects were located in the western part of the island, however in the future we will find some projects in the eastern of the island, along the small island around Phuket and the south of Phuket. The variety unit prices are the success of Phuket Property to attract many classes of buyers from middle class to ultra-wealthy. Developers will expand their products to cover all market segments. For those who are unable to afford the villa unit in Phuket, they have the option to get the similar unit size and type of condominium with sea view, however the proximity to the beach will be farer.

APPENDIX CLASSIFICATION OF PHUKET CONDOMINIUM LOCATION

At first glance the location of residential projects in Phuket appears to be haphazard; however, after more thorough analysis the luxurious residential projects can be divided into six areas or pockets of concentration:

1. **Northern Area :** This is the area that stretches along the Andaman beach start from Mai Khao Beach pass Nai Yang Beach and Nai Thon Beach to the end.

Mai Kao Beach is located just north of the airport, which is an incredibly long and deserted stretch of sand. There is no tourist development here except for the JW Marriott Resort & Spa. Mai Kao is the longest beach on the island and also the most deserted.

Nai Yang is just a five-minute drive south of the airport and is very popular with Thai locals. Here you'll find what beach life is all about. Fringed with casuarina trees providing picnic areas for locals, it's a shady spot for souvenirs and food vendors.

Nai Thon beach lies about 15km south of the airport. This pristine beach is a great place to get away from the crowds. Nai Thon is fairly undeveloped and is a nice quiet place to sit in the sun or take in a swim. Although its quiet, the beach is not completely deserted and there are a few sun beds available for hire. There are also a few small restaurants that serve fresh seafood and local dishes.

2. **North Western Area:** This is the area starts from Layan Beach down to Bang Tao Beach, Surin Beach, Laem Sing Beach and Kamala Beach.

Layan Beach is a small and relatively unknown beach, nestled in a shallow bay at the north end of Bang Tao. Layan Beach is more like a bay than a beach, the Beach is too shallow for swimming.

Bang Tao is another location for luxurious residential area in Phuket. The area is called "Laguna" since there are many hotel facilities serve the residential projects in the area. The new coming and worth investment project called Bang Tao Tropical Residence will be launched in the near future.

Surin beach is another peaceful and tranquility area for foreigners and expatriates from Hong Kong and Singapore.

Laem Singh Beach is one of Phuket's most beautiful beaches and hides on the west coast between Kamala and Surin beaches. 'Laem' is Thai for 'cape' and this 150 meters beach is indeed situated under a steep promontory, nestled in a hidden bay surrounded by palm trees and dotted with giant boulders, it has a feeling of secret beach.

Kamala Beach is considered as the millionaire range. There are many projects under construction but been sold out already eg. Andara Phase I & Phase II and Kamala Falls. The current marketed projects are Kamalaburi and Andara Phase III and etc. Andara offers an exclusive opportunity for a life of luxury to the privileged few. The property provides seclusion with full sea views. Andara is the only project which provides a world class spa and fine dining that caters owner to relax and enjoy the pleasures holiday in Phuket



3. **Mid Western Area:** This is the area along Kalim Beach down to Patong Beach at the end.

Patong is considered as dirty area, however there are some locations in this area is considered as a tranquility area which “Bluepoint” is situated. Bluepoint offers a stunning location, modern style and easy access to the property.

Kalim Bay is located just to the north of Patong. This area is much quieter than Patong although the beach is not as good for swimming as there are a few rocks and a coral reef. The reef is exposed at low tide and locals can be seen collecting crabs and shrimp. Kalim is a good alternative if you want to be nearby the bars and restaurants of Patong, but still want peace and quiet.

4. **South Western Area:** The area from Karon Beach, to the end of Kata Noi Beach.

Karon is the area which is considered a beachfront residential projects. Recently, Movenpick has sold out for 70% in a short period. The selling price starts from 14M for 30 years leasehold period. The project has completed the resort residential development which caters a lifestyle of the rich and famous, hassle-free beach home ownership and attractive investment returns.

Kata is another attractive area for foreigners. Currently Raimon has launched 2 successful projects which are Kata Gardens and the recently marketing project called “The Heights Phuket”. The condominium project started from 2-3 Bedrooms with seaview from each unit. The property designed for nature touch from the unit.

5. **Southern Area:** The area encompasses Nai Harn Beach, Rawai Beach, Friend ship Beach and Chalong Bay to the southern part of east coast.

Nai Harn is one of the island’s most beautiful locations and most popular places with in-the-know locals. Naiharn is a quiet little spot at the southern end of Phuket, This quiet and tranquil place has only a few hotels including the Le Royal Phuket Yacht Club and is a favourite anchorage for boats during the high season.

Rawai holds the distinction of being the very first tourist beach on Phuket. Years ago, people from Phuket Town would drive the 17km to Rawai on week ends to while away the afternoon underneath the beach’s casuarina trees rather than risk the (then) dangerous drive over the hill to Phuket’s west coast.

Chalong’s muddy East Coast shoreline makes it rather unsuitable for swimming but it’s an ideal and natural spot for yacht mooring. As well as the Boat Lagoon, Yacht Haven and Royal Phuket Marina, Chalong is a centre for intense boating activity. Early mornings and late afternoons are the busiest times at Chalong, when diving and day trip groups are bundled on and off boats. The Ao Chalong Yacht Club, which organizes regular sailing races, makes its base here, and its bar is a favourite spot for sailors to swap yarns and party.

6. **Eastern Coast Area:** On the eastern side of the island is set to become a marina heaven, as boat can make use of year round harbor and waters. The land price in this side is relative cheaper than western side of the island. The projects development in this area is The Yamu, Aquaminium, Tawan View and etc.



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